

To: Basel II NPR Public File
From: Mark Van Der Weide and Allison Breault
Date: June 16, 2006
Re: Meeting with Bank of America

On June 15, 2006, Governor Bies and Board staff met with representatives of Bank of America to discuss the interagency notice of proposed rulemaking ("NPR") to implement a new risk-based capital framework based on the Basel II capital accord issued by the Basel Committee on Banking Supervision.

Bank of America expressed support for the overall Basel II accord, which it characterized as facilitating good risk management and appropriately enhancing the risk sensitivity of regulatory capital requirements.

Bank of America made two principal points. First, the bankers emphasized that it is important for the agencies to maintain the risk sensitivity of the NPR to ensure that bank practices that reduce the risk posture of the institution are appropriately captured in the calculations and vice versa. Second, the bankers expressed concern about the multiple layers of conservative assumptions in the NPR (such as the aggregate decline benchmark). The bankers' overall concern was the potential for U.S. banking institutions to be at a competitive disadvantage compared to global financial institutions. The bankers also expressed concern that the NPR definition of default (which differs to some extent from the definition of default being adopted in other jurisdictions) could increase the cost and operational complexity of Basel II implementation in the United States because it may require a bank to maintain databases with two different definitions of default. The bankers specifically expressed reservations about the NPR's treatment of the sale of a wholesale exposure at a 5 percent credit-related loss as a default.

In addition, Bank of America urged the Board and the other banking agencies to preserve the proposal's objective of aligning regulatory capital requirements with industry best practices for risk management.

Governor Bies urged Bank of America to submit detailed comments on the proposal.

The attendees included:

Board
Governor Susan Bies
Roger Cole
Steven Roberts
Mark Van Der Weide
Allison Breault

Bank of America

Amy Brinkley

Chan Martin